



February 6, 2026

***Important Update: 2026 NACHA Rules for Originator Responsibilities,
Fraud Monitoring, Name Verification & Entry Descriptions***

Dear Valued Customer,

We are writing to inform you of several important NACHA (National Automated Clearing House Association) rule updates taking effect **March 20, 2026**. These updates include enhancements to fraud monitoring, account name verification, Company Entry Description requirements, and ACH originator responsibilities.

These changes are designed to strengthen the accuracy, security, and reliability of the ACH Network.

What's Changing on March 20, 2026

1. Enhanced Fraud Monitoring Requirements

Financial institutions must adopt stronger fraud monitoring controls, including:

- Review of unusual payment patterns.
- Monitoring activity inconsistent with your normal ACH origination.
- Detection of anomalies based on dollar amounts, frequency, and behavior.
- Additional scrutiny of potentially unauthorized or high-risk transactions.

2. Account Name Verification (Name Mismatch Review)

To help prevent fraud involving incorrect or synthetic identities, NACHA now requires financial institutions to review whether names provided in ACH files reasonably match the receiving account holder.

- Significant mismatches may require manual review.
- Additional verification may be requested.
- Transactions may be delayed or returned when mismatches cannot be resolved.

3. Company Entry Description Rule

Effective March 20, 2026, the Company Entry Description must clearly and accurately describe the purpose of the ACH transaction. Accurate descriptions enhance transparency for receivers and support proper dispute resolution.

- Vague terms such as *PAYMENT*, *MISC*, or *TRANSFER* may no longer be acceptable.
- Descriptions must reflect the specific transaction purpose (e.g., *PAYROLL*, *INVOICE 1234*, *RENT PAYMENT*).
- Misleading descriptions may result in returned entries.

What This Means for Your Organization

To ensure your ACH activity continues without disruption:

- Review and update your templates to ensure accurate names, account numbers, and entry descriptions
- Replace any generic Company Entry Descriptions
- Ensure payees' **legal names** are used
- Respond promptly to any inquiry regarding flagged entries
- Maintain strong security and dual control processes

Reminders of Your Responsibilities as an ACH Originator

As an ACH originator, NACHA rules require you to maintain standards designed to protect consumers, financial institutions, and the ACH network.

Accurate & Compliant ACH File Creation

- Ensure account numbers, routing numbers, SEC codes, and names are correct.
- Provide clear, accurate Company Entry Descriptions.

Authorization Requirements

- Obtain proper authorization before debiting or crediting accounts.
- Retain authorizations for the required period (typically two years after revocation).
- Provide copies of authorizations promptly when requested.

Data Security Responsibilities

- Protect sensitive data and payment information.
- Limit access to ACH systems to authorized individuals.
- Use secure transmission methods.

Fraud Controls & Internal Security

- Implement dual control for ACH file creation and approval.
- Use out-of-band verification for payment changes.
- Train employees on recognizing payment fraud.

Timely Handling of Returns & Notification of Change (NOC)

- Correct account details promptly after receiving a Notification of Change.
- Investigate repeat return issues.
- Take corrective action where needed.

Compliance with Return Thresholds

NACHA monitors several return categories to ensure ACH quality and reduce risk. Exceeding these limits can result in monitoring, fines, or suspension of origination privileges.

Unauthorized Return Rate (URR) – Threshold: 0.5% (URR must remain below 0.5%)

The Unauthorized Return Rate (URR) measures the percentage of originated debit entries returned as unauthorized and is calculated: $\text{Unauthorized Returns} \div \text{Total Debit Entries}$. URR includes:

- R05** – Unauthorized debit (consumer account used with corporate SEC code)
- R07** – Authorization revoked
- R10** – Customer advises item is unauthorized
- R11** – Entry not in accordance with authorization
- R29** – Corporate customer advises not authorized

Administrative Return Rate (ARR) – Threshold: 3.0% (ARR must remain below 3.0%)

The Administrative Return Rate (ARR) measures returns caused by inaccurate account information and is calculated: $\text{Administrative Returns} \div \text{Total Debit Entries}$. ARR includes:

- R02** – Account closed
- R03** – No account/unable to locate account
- R04** – Invalid account number

Overall Return Rate (ORR) – Threshold: 15.0% (Must remain below 15.0%)

The Overall Return Rate includes all return codes except Represented Check Entries (RCK). It measures the percentage of all debit entries returned for any reason and is calculated: $\text{Total Returns} \div \text{Total Debit Entries}$.

Why These Changes Matter

The 2026 NACHA updates aim to:

- Reduce fraud and unauthorized activity.
- Improve clarity for payment recipients.
- Ensure consistent compliance across all ACH originators.
- Strengthen the integrity and security of the ACH Network.

We're Here to Help

If you have questions about these changes or need help reviewing your ACH setup, templates, or Company Entry Descriptions, please contact us. We have a sample Fraud Monitoring Policy we can provide to you, as well. Our Treasury Management team is here to assist you.

Thank you for your continued partnership.

Sincerely,

Your Crews Bank & Trust Treasury Management Team